

**HUNTERS OVERLOOK METROPOLITAN
DISTRICT NO. 1
Weld County, Colorado**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 1


TABLE OF CONTENTS


INDEPENDENT AUDITOR'S REPORT	I
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	1
Statement of Activities	2
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes – in Fund Balances – Governmental Funds	5
Statement of Net Position – Proprietary Fund	6
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	7
Statement of Cash Flows – Proprietary Fund	8
NOTES TO THE FINANCIAL STATEMENTS	9
REQUIRED SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) – Budget and Actual – General Fund	18
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Capital Projects Fund	19
Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water Activity Enterprise Fund	20
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes in Net Position	21


INDEPENDENT AUDITOR'S REPORT



1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120

 303-734-4800

 303-795-3356

 www.HaynieCPAs.com

To the Board of Directors of
Hunters Overlook Metropolitan District No. 1

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of Hunters Overlook Metropolitan District No. 1 (District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Opinions

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise District's basic financial statements. The Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund, Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water Activity Enterprise Fund, and Reconciliation of Budgetary Basis (Non-GAAP) to Statement of Revenues, Expenses and Changes in Net Position, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund, Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water Activity Enterprise Fund, and Reconciliation of Budgetary Basis (Non-GAAP) to Statement of Revenues, Expenses and Changes in Net Position, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Haysie & Company

Littleton, CO
January 25, 2022

BASIC FINANCIAL STATEMENTS

Hunters Overlook Metropolitan District No. 1
STATEMENT OF NET POSITION
December 31, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 20,664	\$ -	\$ 20,664
Accounts receivable	43,760	37,883	81,643
Due from other entities	7,451	56,487	63,938
Due from other funds	-	177,744	177,744
Property taxes receivable	98	-	98
Capital assets not depreciated	34,147,861	6,295,968	40,443,829
Total assets	<u>34,219,834</u>	<u>6,568,082</u>	<u>40,787,916</u>
LIABILITIES			
Accounts payable	27,386	78,840	106,226
Due to other entities	24,260	-	24,260
Due to other funds	177,744	-	177,744
Prepaid fees	6,915	12,457	19,372
Long-term liabilities			
Due in more than one year	12,761,758	6,529,806	19,291,564
Total liabilities	<u>12,998,063</u>	<u>6,621,103</u>	<u>19,619,166</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	98	-	98
Total deferred inflows of resources	<u>98</u>	<u>-</u>	<u>98</u>
NET POSITION			
Net investment in capital assets	21,386,103	(233,838)	21,152,265
Restricted			
Emergency reserve (TABOR)	16,455	-	16,455
Unrestricted	(180,885)	180,817	(68)
Total net position (deficit)	<u>\$ 21,221,673</u>	<u>\$ (53,021)</u>	<u>\$ 21,168,652</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

Hunters Overlook Metropolitan District No. 1
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
General government	\$ 548,543	\$ 348,666	\$ 127,602	\$ 2,470,632	\$ 2,398,357	\$ -	\$ 2,398,357
Interest on long-term debt and related costs	713,190	-	-	-	(713,190)	-	(713,190)
Total government activities	\$ 1,261,733	\$ 348,666	\$ 127,602	\$ 2,470,632	\$ 1,685,167	\$ -	\$ 1,685,167
Business-type activities:							
Water operations	\$ 337,252	\$ 407,310	\$ -	\$ -	-	70,058	70,058
Interest on long-term debt and related costs	99,854	-	-	-	-	(99,854)	(99,854)
Total	\$ 437,106	\$ -	\$ -	\$ -	\$ -	(29,796)	(29,796)
Revenue:							
Property taxes					66	-	66
Specific ownership taxes					3	-	3
Miscellaneous income					8,835	-	8,835
Total revenue					8,904	-	8,904
Change in net position					1,694,071	(29,796)	1,664,275
Net position - Beginning					19,527,602	(23,225)	19,504,377
Net position - Ending					\$ 21,221,673	\$ (53,021)	\$ 21,168,652

These financial statements should be read only in connection with the accompanying notes to financial statements.

Hunters Overlook Metropolitan District No. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 20,664	\$ -	\$ 20,664
Accounts receivable	43,760	-	43,760
Due from other entities	7,451	-	7,451
Property tax receivable	98	-	98
Total assets	\$ 71,973	\$ -	\$ 71,973
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)			
Accounts payable	\$ 27,386	\$ -	\$ 27,386
Due to other funds	177,744	-	177,744
Due to other entities	24,260	-	24,260
Prepaid fees	6,915	-	6,915
Total liabilities	236,305	-	236,305
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	98	-	98
TOTAL DEFERRED INFLOWS OF RESOURCES	98	-	98
FUND BALANCES (DEFICITS)			
Restricted:			
Emergency reserves	16,455	-	16,455
Unassigned	(180,885)	-	(180,885)
Total fund balances (deficits)	(164,430)	-	(164,430)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	\$ 71,973	\$ -	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets not depreciated 34,147,861

Long-term liabilities, including Notes payable and accrued interest, are not due and payable in the current period and, therefore, are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position:

Promissory Note - principal and interest (12,761,758)

Net position of governmental activities \$ 21,221,673

These financial statements should be read only in connection with
the accompanying notes to financial statements.

Hunters Overlook Metropolitan District No. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS
Year Ended December 31, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 66	\$ -	\$ 66
Specific ownership taxes	3	-	3
District fees	213,326	-	213,326
Trash fees	120,804	-	120,804
IGA revenue	127,602	-	127,602
Fines/late fees	11,671	-	11,671
Transfer fees	2,865	-	2,865
Miscellaneous income	8,835	-	8,835
Total revenue	<u>485,172</u>	<u>-</u>	<u>485,172</u>
EXPENDITURES			
General government			
District accounting, audit, enforcement and management	129,447	-	129,447
Audit	22,500	-	22,500
Treasurer fees	1	-	1
Dues and subscriptions	554	-	554
Insurance	6,544	-	6,544
Landscape maintenance	198,699	-	198,699
Legal	26,458	-	26,458
Billing expense	1,320	-	1,320
Miscellaneous	10,810	-	10,810
Park restroom, trash and open space maintenance	14,224	-	14,224
Snow removal	5,498	-	5,498
Trash services	121,286	-	121,286
Utilities	10,260	-	10,260
Utilities - restroom	982	-	982
Capital improvements	29,554	14,026,358	14,055,912
Total expenditures	<u>578,137</u>	<u>14,026,358</u>	<u>14,604,495</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(92,965)</u>	<u>(14,026,358)</u>	<u>(14,119,323)</u>
OTHER FINANCING SOURCES (USES)			
Developer advance	-	14,026,358	14,026,358
Promissory Note - principal	-	(2,434,725)	(2,434,725)
Promissory Note - interest	-	(35,907)	(35,907)
Transfer from District No. 5	-	2,470,632	2,470,632
Total other financing sources (uses)	<u>-</u>	<u>14,026,358</u>	<u>14,026,358</u>
NET CHANGE IN FUND BALANCES	<u>(92,965)</u>	<u>-</u>	<u>(92,965)</u>
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR (RESTATED)	<u>(71,465)</u>	<u>-</u>	<u>(71,465)</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (164,430)</u>	<u>\$ -</u>	<u>\$ (164,430)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

Hunters Overlook Metropolitan District No. 1
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) - GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	\$ (92,965)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.	14,055,912
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Repayment of Developer advance - principal	2,434,725
Repayment of Developer advance - interest	35,907
Developer advance	(14,026,358)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Interest on Developer advance	<u>(713,150)</u>
Change in net position - Governmental activities	<u>\$ 1,694,071</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

Hunters Overlook Metropolitan District No. 1
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2020

	Water Activity Fund
ASSETS	
Due from other funds	\$ 177,744
Due from other entities	56,487
Accounts receivable	37,883
Capital assets, net of accumulated depreciation	<u>6,295,968</u>
Total assets	<u><u>6,568,082</u></u>
 LIABILITIES AND NET POSITION	
Non-current liabilities:	
Accounts payable	78,840
Prepaid fees	12,457
Long-term debt:	
Due in more than one year	<u>6,529,806</u>
Total liabilities	<u><u>6,621,103</u></u>
 NET POSITION	
Unrestricted	(53,021)
Total net position	<u><u>\$ (53,021)</u></u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

Hunters Overlook Metropolitan District No. 1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2020

	<u>Water Activity Fund</u>
OPERATING REVENUES	
Water fees	<u>\$ 407,310</u>
Total operating revenues	<u>407,310</u>
OPERATING EXPENSES	
Operating expenses	<u>337,252</u>
Total operating expenses	<u>337,252</u>
OPERATING INCOME	<u>70,058</u>
NONOPERATING REVENUE (EXPENSE)	
Interest and fiscal charges	<u>(99,854)</u>
Total nonoperating revenue, net	<u>(99,854)</u>
CHANGE IN NET POSITION	<u>(29,796)</u>
NET POSITION - BEGINNING OF YEAR	<u>(23,225)</u>
NET POSITION - END OF YEAR	<u><u>\$ (53,021)</u></u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

Hunters Overlook Metropolitan District No. 1
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended December 31, 2020

	Water Activity Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 234,824
Cash payments to suppliers for goods and services	(234,824)
Net cash provided by operating activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital improvements	(6,295,968)
Developer advance	6,295,968
Net cash provided by capital and related financing activities	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -
 RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 70,058
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Effects of changes in operating assets and liabilities:	
Accounts receivable	(5,268)
Due from other funds	(90,573)
Due from other entities	(65,514)
Prepaid fees	12,457
Accounts payable	78,840
Total adjustments	(70,058)
Net cash provided by operating activities	\$ -

These financial statements should be read only in connection with the accompanying notes to the financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

1. DEFINITION OF REPORTING ENTITY

Hunters Overlook Metropolitan District No. 1 (the "District") is a quasi-municipal political subdivision of the State of Colorado organized on November 14, 2017. The District, along with Hunters Overlook Metropolitan District Nos. 2-8 (the "Districts") were organized to provide for the construction and financing of street, safety control, non-potable water and landscaping improvements. The Districts' service area is located entirely within the Town of Severance in Weld County, Colorado, commonly known as "Overlook". The District is the "Coordinating District" and expected to coordinate the financing, construction and maintenance of all public improvements. District Nos. 2-8, as "Financing Districts", are expected to contain residential development, include future development and provide revenue to support the District's activities. The District derives its revenue principally from District fees, non-potable water fees, trash fees, intergovernmental revenue and property taxes.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District has no employees and all operations and administrative functions are contracted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are as follows:

Government-Wide and Fund Financial Statements — The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Eliminations have been made to minimize the double counting of internal activities. These statements include all of the activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues. The statement of net position reports all of the financial and capital resources of the District. The difference between the assets and the liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) fees and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

are not classified as program revenues, including all taxes, are reported as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation — The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are property taxes and are recognized as revenue by the District. All other revenue items, including developer advances, are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports the following major governmental funds:

General Fund – The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund – The capital projects fund accounts for the financial resources to be used for the acquisition and construction of capital infrastructure.

The District reports the following major proprietary fund:

Water Activity Fund – The water activity fund (an enterprise fund) is used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's water activity fund are charges for services. Operating expenses for the water activity fund includes cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to apply restricted resources first, then unrestricted resources as they are needed.

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

Budget Information – In accordance with the State Budget Law, the District’s Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District’s Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indications.

Property Taxes – Property taxes are levied by the District’s Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The taxes are payable by April or if in equal installments, at the taxpayer’s election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Cash Equivalents – For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Capital Assets — Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of the net investment in capital assets of the District’s net position.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

Deferred Inflows of Resources - In addition to liabilities, the statement of net position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

Fund Balance Classification — The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Non-spendable — The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or is legally or contractually required to be maintained intact.

Restricted — The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed — The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned — The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned — The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

Estimates — The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deficits — The general fund reported a deficit in the fund financial statements as of December 31, 2020. It is anticipated that this deficit will be eliminated with the receipt of intergovernmental revenue and fees in 2021 as development in several contributing districts will be completed.

Restatement of Beginning Fund Balance and Net Position — The beginning fund balance of the general fund and the beginning net position of the governmental activities was adjusted by \$12,761 for a developer receivable that was accrued in 2018, but will not be funded. It is anticipated that IGA revenue and fee collections will be sufficient to cover operational costs in future years.

3. CASH

Deposits with financial institutions — The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2020, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2020, the District's cash deposits had a bank balance of \$102,572 and a carrying balance of \$20,664.

The District generally limits its investments to those which are believed to have minimal interest rate risk and no foreign currency risk. Additionally, the district is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools
- Certain certificates of participation
- Certain securities lending agreements

As of December 31, 2020, the District had no investments.

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 20,091,949	\$ 14,055,912	\$ -	\$ 34,147,861
Total capital assets, not being depreciated	<u>\$ 20,091,949</u>	<u>\$ 14,055,912</u>	<u>\$ -</u>	<u>\$ 34,147,861</u>

All or a majority of the governmental capital assets will be conveyed to another governmental entity.

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	6,295,968	\$ -	\$ 6,295,968
Total capital assets not being depreciated	<u>\$ -</u>	<u>\$ 6,295,968</u>	<u>\$ -</u>	<u>\$ 6,295,968</u>

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS (continued)

5. LONG-TERM LIABILITIES

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020	Due Within One Year
Governmental activities:					
Promissory note - capital	\$ 404,591	\$ 14,026,358	\$ 2,434,725	\$ 11,996,224	\$ -
Promissory note - operating	71,740	-	-	71,740	-
Accrued interest on promissory notes	16,551	713,150	35,907	693,794	-
	<u>\$ 492,882</u>	<u>\$ 14,739,508</u>	<u>\$ 2,470,632</u>	<u>\$ 12,761,758</u>	<u>\$ -</u>

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020	Due Within One Year
Business-type activities:					
Promissory note - operations	\$ 124,298	\$ -	\$ -	\$ 124,298	\$ -
Promissory note - capital	-	6,295,968	-	6,295,968	-
Accrued interest on promissory notes	9,686	99,854	-	109,540	-
	<u>\$ 133,984</u>	<u>\$ 6,395,822</u>	<u>\$ -</u>	<u>\$ 6,529,806</u>	<u>\$ -</u>

Funding and Reimbursement Agreement – On November 16, 2017 the Districts, collectively, entered into a Funding and Reimbursement Agreement with Severance Overlook Investments, LLC (“the Developer”). Under the terms of the agreement, the Developer agreed to advance to the

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

Districts amounts not to exceed \$500,000. The funds advanced under the agreement shall be applied to costs associated with formation, administration, operations and maintenance of public facilities and for other budgeted general fund expenditures during the term of the agreement. The term of the agreement is annually renewable for one year terms to be considered at the time of the budget approval of the Districts. Upon request of the Developer, the Districts agreed to issue Promissory Notes to evidence the repayment obligation of the existing loan advances. Amounts advanced under the terms of the agreement shall bear an interest rate of 2% plus the current Federal Reserve Board prime rate.

Under the terms of the agreement, on November 16, 2017 District Nos. 1-8 executed Revenue and Limited Tax Obligation Promissory Notes of up to \$500,000 registered to the Developer. The notes bear interest rate of 2% plus the current Federal Reserve Board prime rate and mature on November 16, 2018. During 2020, the notes were renewed according to the terms of the agreement. At December 31, 2020, the outstanding principal amounts and accrued interest amounts on the promissory notes were \$196,038 and \$28,579 respectively.

Advance and Reimbursement Agreement – On November 16, 2017 the Districts, collectively, entered into an Advance and Reimbursement Agreement with the Developer. Under the terms of the agreement, the Developer agreed to advance to the Districts amounts not to exceed \$46,858,382 in installments available to the Districts through December 1, 2018. The funds advanced under the agreement shall be applied to capital costs of the Districts as established in the Districts' annual budgets. Amounts advanced under the terms of the agreement shall bear an interest rate of 2% plus the current Federal Reserve Board prime rate.

Under the terms of the agreement, on November 16, 2017, the Districts executed a Revenue and Limited Tax Obligation Subordinate Promissory Note of up to \$46,858,382 registered to the Developer. The note bears an interest rate of 2% plus the current Federal Reserve Board prime rate and matures on November 16, 2018. During 2020, the note was renewed according to the terms of the agreement. At December 31, 2020, the outstanding principal and accrued interest on the subordinate promissory note is \$18,292,192 and \$774,755 respectively. Of the \$18,292,192, \$11,996,224 is reflected in the Governmental activities and \$6,295,968 is reflected in the Enterprise activities.

Debt Authorization – On November 7, 2017, the electors of the Districts, collectively, authorized the issuance of indebtedness in an amount not to exceed \$468,583,820 for improvements, \$46,858,382 for operations and maintenance, and \$93,716,764 for refunding, refinancing or defeasing district debt and other financial obligations. Pursuant to the Service Plan, the Districts are permitted to issue indebtedness of up to \$46,858,382. As of December 31, 2020, the Districts had \$4,703,781 remaining authority under the Service Plan.

6. AGREEMENTS

Intergovernmental Agreement – On November 16, 2017, the Districts entered into an Intergovernmental Agreement (the "IGA") in order to implement the Service Plan. According to the Service Plan, the District is the coordinating district and is expected to coordinate the financing, construction and maintenance of all public improvements. District Nos. 2-8 are financing districts and contain residential development. The financing districts are expected to include development and provide revenue to support the Districts' activities. The IGA provides that the District shall be

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

the owner and operator of district owned improvements and may provide for the funding of construction, operation and maintenance of the public improvements through further and future indebtedness. District Nos. 2-8 shall impose and collect any property taxes, remit the proceeds of any indebtedness, taxes or otherwise provide for the funding of the construction, operation or maintenance of the public improvements. The IGA stipulates the obligations and limitations of the district as the “operator” of the public improvements.

The IGA also engages the District as the “district administrator” for all the Districts. District administration includes preparation of annual budgets, engagement of legal counsel and other consultants and statutory compliance measures.

Improvement Acquisition Agreement – On November 16, 2017, the Districts, collectively, entered into an Improvement Acquisition Agreement with the Developer. The Developer constructed certain improvements on behalf of the Districts. Pursuant to the agreement, the Districts agreed to acquire from the Developer completed improvements or improvements under construction and improvements in the future. The purchase price shall be equal to the District’s costs. As of the date of the agreement, the Districts did not have funds available to pay for the acquisition of improvements. The Districts agreed to acquire the improvements from bond proceeds and subordinate obligations issued to the Developer. On February 18, 2020, the District accepted general capital improvements totaling \$14,026,358 from the Developer. On September 21, 2020, the District accepted enterprise capital improvements totaling \$6,295,968 from the Developer.

7. NET POSITION

The District’s net position includes two components: restricted and unrestricted.

Restricted assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Net position includes:

Restricted:

Emergency reserve (TABOR)	\$ 16,455
Total restricted net position	<u>\$ 16,455</u>

Unrestricted net position consists of the net amount of assets, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The District utilizes unrestricted net position before using restricted net position. As of December 31, 2020, the District had unrestricted net position of \$21,152,197.

8. RELATED PARTY

The Developer of the property which constitutes the District is Severance Overlook Investments, LLC. The members of the Board of Directors are employees, owners or are otherwise associated with the Developer and its affiliates and may have conflicts of interest dealing with the District. At December 31, 2020, the District owed the Developer \$19,291,564 as reflected in Note 5.

9. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District became a member of the Colorado Special Districts Property and Liability Pool (the 'Pool') in 2018. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation insurance to its members.

The District pays annual premiums to the Pool for liability and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

10. TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to as the Taxpayer's Bill of Rights (TABOR) contains tax spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenues in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes the Water Activity Fund of the District qualifies for this provision.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On November 7, 2017, a majority of District electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and other revenue of the District for 2017 and any year thereafter, without regard to limitations under TABOR.

The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

REQUIRED SUPPLEMENTAL INFORMATION

Hunters Overlook Metropolitan District No. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u> <u>Original</u>	<u>Budgeted Amounts</u> <u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property taxes	\$ 109	\$ 66	\$ 66	\$ -
Specific ownership taxes	8	3	3	-
District fees	160,500	213,326	213,326	-
Trash fees	97,070	120,804	120,804	-
IGA Revenue	131,237	127,602	127,602	-
Fines/late fees	-	11,671	11,671	-
Transfer fees	-	2,865	2,865	-
Miscellaneous income	5,000	8,835	8,835	-
Total Revenue	<u>393,924</u>	<u>485,172</u>	<u>485,172</u>	<u>-</u>
EXPENDITURES				
General government:				
District accounting, management and enforcement services	50,000	129,447	129,447	-
Audit	12,000	22,500	22,500	-
County treasurer fees	2	1	1	-
Dues and subscriptions	2,000	554	554	-
Election	5,000	-	-	-
Insurance	4,000	6,544	6,544	-
Landscape maintenance/projects	75,000	198,699	198,699	-
Legal	40,000	26,458	26,458	-
Billing expense	1,000	1,320	1,320	-
Meeting expense	350	-	-	-
Miscellaneous	5,000	10,810	10,810	-
Newsletter/PR	6,000	-	-	-
Park restroom, open space, trash maintenance	12,000	14,224	14,224	-
Snow removal	15,000	5,498	5,498	-
Supplies and signage	1,500	-	-	-
Trash service	97,070	121,286	121,286	-
Utilities	-	10,260	10,260	-
Utilities - restroom	500	982	982	-
Contingency/projects	9,000	-	-	-
Capital projects	-	29,554	29,554	-
Total Expenditures	<u>335,422</u>	<u>578,137</u>	<u>578,137</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	58,502	(92,965)	(92,965)	-
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(56,897)	(71,465)	(71,465)	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 1,605</u>	<u>\$ (164,430)</u>	<u>\$ (164,430)</u>	<u>\$ -</u>

These financial statements should be read only in connection with the
accompanying notes to financial statements.

SUPPLEMENTAL INFORMATION

Hunters Overlook Metropolitan District No. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2020

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Total Revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital improvements	2,451,828	14,026,358	14,026,358	-
Total Expenditures	2,451,828	14,026,358	14,026,358	-
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(2,451,828)</u>	<u>(14,026,358)</u>	<u>(14,026,358)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Developer Advance	2,451,828	14,026,358	14,026,358	
Repayment of developer advance - principal	-	(2,434,725)	(2,434,725)	-
Repayment of developer advance - interest	-	(35,907)	(35,907)	-
Transfers from District No. 5	-	2,470,632	2,470,632	-
Total other financing sources (uses)	<u>2,451,828</u>	<u>14,026,358</u>	<u>14,026,358</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Hunters Overlook Metropolitan District No. 1
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (BUDGET TO ACTUAL)
WATER ACTIVITY ENTERPRISE FUND
For the Year Ended December 31, 2020

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Water fees	\$ 288,900	\$ 350,800	\$ 350,823	\$ 23
Water fees - Other entities	54,000	65,500	56,487	(9,013)
Total Revenues	<u>\$ 342,900</u>	<u>\$ 416,300</u>	<u>\$ 407,310</u>	<u>\$ (8,990)</u>
EXPENSES				
Water operations	210,250	337,250	337,252	(2)
Contingency	12,650	1,000	-	1,000
Total Expenditures	<u>222,900</u>	<u>338,250</u>	<u>337,252</u>	<u>998</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	<u>120,000</u>	<u>78,050</u>	<u>70,058</u>	<u>(7,992)</u>
OTHER FINANCING SOURCES (USES)				
Repayment of developer advance	(150,000)	-	-	-
Capital improvements	(5,000,000)	(6,296,000)	(6,295,968)	(32)
Developer advance	5,000,000	6,296,000	6,295,968	32
Total other financing sources (uses)	<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUES OVER (UNDER) EXPENSES	<u>(30,000)</u>	<u>78,050</u>	<u>70,058</u>	<u>(7,992)</u>
NET POSITION - BEGINNING OF YEAR	<u>30,000</u>	<u>110,759</u>	<u>110,759</u>	<u>-</u>
NET POSITION - END OF YEAR	<u>\$ -</u>	<u>\$ 188,809</u>	<u>\$ 180,817</u>	<u>\$ (7,992)</u>

Hunters Overlook Metropolitan District No. 1
RECONCILIATION OF BUDGETARY BASIS (NON-GAAP) TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER ACTIVITY ENTERPRISE FUND
Year Ended December 31, 2020

Excess of revenue over expenses	<u>\$ 70,058</u>
Reconciling Items:	
Expenses and revenues included under budgetary basis, but not included in statement of revenues, expenses and changes in net position	
Capital outlay	6,295,968
Developer advance	(6,295,968)
Change in Accrued Interest	<u>(99,854)</u>
Change in net position per statement of revenues, expenses and changes in net position	<u><u>\$ (29,796)</u></u>